

MAHASKA COUNTY  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2004

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# MAHASKA COUNTY

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2004)		
Henry VanWeelden	Board of Supervisors	Jan. 2005
Lawrence Rouw	Board of Supervisors	Jan. 2007
Greg Gordy	Board of Supervisors	Jan. 2007
Kay Swanson	County Auditor	Jan. 2005
Sone Scott	County Treasurer	Jan. 2007
Diane Upton Crookham	County Recorder	Jan. 2007
Charles Van Toorn	County Sheriff	Jan. 2005
Charles Stream	County Attorney	Jan. 2007
Diane McMahan	County Assessor	Jan. 2004
(After January 2004)		
Henry VanWeelden	Board of Supervisors	Jan. 2005
Lawrence Rouw	Board of Supervisors	Jan. 2007
Greg Gordy	Board of Supervisors	Jan. 2007
Kay Swanson	County Auditor	Jan. 2005
Sone Scott	County Treasurer	Jan. 2007
Diane Upton Crookham	County Recorder	Jan. 2007
Charles Van Toorn	County Sheriff	Jan. 2005
Charles Stream	County Attorney	Jan. 2007
Gary Smith	County Assessor	Jan. 2010

## INDEPENDENT AUDITOR'S REPORT

To the Officials of Mahaska County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mahaska County, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Mahaska County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mahaska County at June 30, 2004 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated February 15, 2005 on our consideration of Mahaska County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 5 through 10 and 50 through 52 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Mahaska County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa  
February 15, 2005

# Management's Discussion and Analysis

Management of Mahaska County provides this Management's Discussion and Analysis of Mahaska County's annual financial statements. This narrative overview and analysis of the financial activities of Mahaska County is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

## FINANCIAL HIGHLIGHTS

- County governmental funds revenue totaled \$12,843,500 for 2004, a decrease of 1.9% from 2003, or \$242,625. The decrease was due primarily to a reduction in tax credit reimbursement from the state. Property and other county taxes totaled \$5,522,922 for 2004.
- County governmental funds functional expenditures totaled \$12,631,474 for 2004, an increase of 7.7% from 2003. The increase was due primarily to higher roads and transportation expenses which were up \$823,271 for a total of \$4,155,566.
- The County's governmental fund balances at June 30, 2004 were \$12,096,465, a slight increase of 2.2% due primarily to the above noted factors.

## USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements.

- The Statement of Net Assets and the Statement of Activities provide information about the activities of the County as a whole and present a longer-term view of the County's finances.
- Fund financial statements immediately follow this report. For governmental activities these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds.
- The remaining statements provide financial information about activities for which the County acts solely as an agent or custodian for the benefit of those outside the government (Agency Funds).

## **The County as a Whole Reporting**

### *The Statement of Net Assets and the Statement of Activities*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The statement of net assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are displayed in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration or general government, interest on long-term debt and other non-program activities. Property taxes and state and federal grants finance most of these activities.

### *Fund Financial Statements*

The fund financial statements provide detailed information about the most significant funds – not the County as a whole. Some funds are required to be established by State law and by bond covenants. However, the County establishes many other funds to help it control and manage money for particular purposes.

Most of the County's basic services are accounted for in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

### *Notes to the Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the basis financial statements. The notes to the financial statements can be found immediately following the fund financial statements.

### *Supplementary Information*

The supplementary information provides detailed information about the non-major governmental funds and the individual agency funds. In addition, the Schedule of Expenditures of Federal Awards provides details of the various Federal awards received by the County.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of financial position.

### **STATEMENT OF NET ASSETS –GOVERNMENTAL ACTIVITIES**

	2004	2003
Current and other Assets	\$ 18,920,044	\$ 17,677,477
Capital assets	24,125,490	22,478,743
Total Assets	43,045,534	40,156,220
Long term debt outstanding	349,602	370,962
Other liabilities	6,610,313	5,687,950
Total liabilities	6,959,915	6,058,912
Net Assets		
Invested in capital assets	24,125,490	22,478,743
Restricted	9,654,635	9,358,870
Unrestricted	2,305,494	2,259,695
Total net assets	\$36,085,619	\$34,097,308

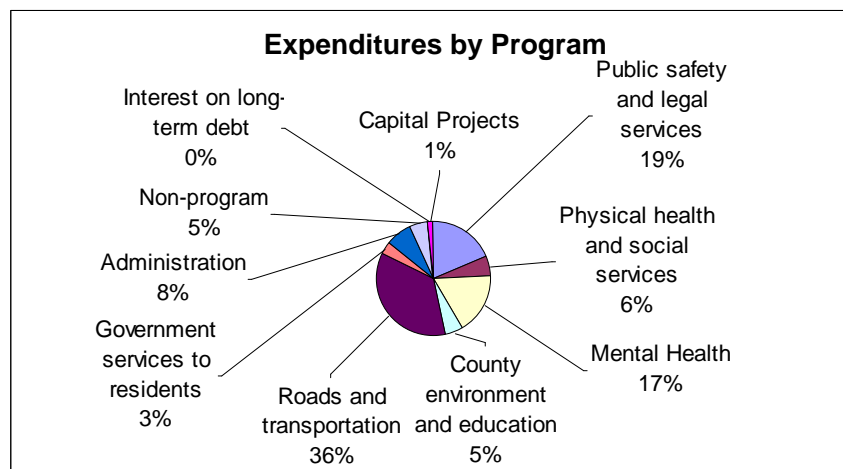
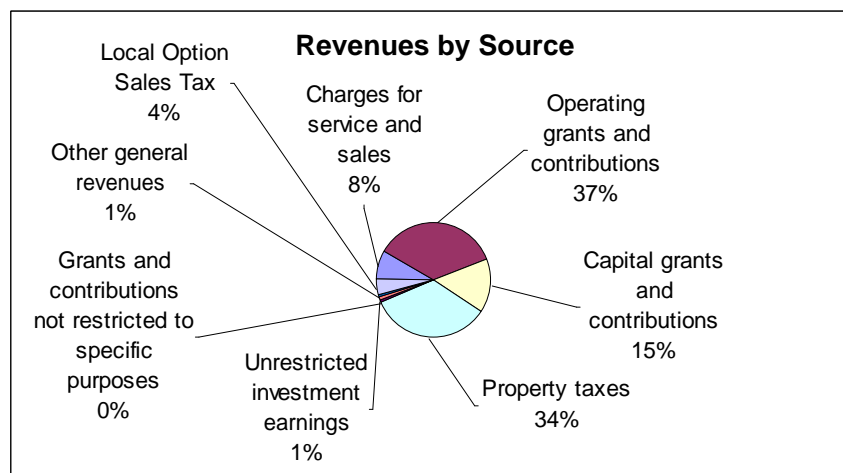
The County's combined net assets showed a 5.83% increase from a year ago from \$34,097,308 to \$36,085,619. The largest portion of the County's net assets is the Invested in Capital Assets (that is, land infrastructure, buildings and equipment). Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

The increase in net assets of \$1,988,311 for governmental activities is mostly due to the following factors: Three state highways had their jurisdiction turned over to the County. The County received approximately 1.6 million dollars for future maintenance on these roads which had a positive effect on net assets. The County's capital asset additions were approximately \$1,650,000 more than depreciation on all capital assets. This had a positive effect on net assets.

### **Changes in Net Assets of Governmental Activities**

	2004	2003
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for Service	\$1,241,928	\$ 1,166,831
Operating grants and contributions	5,485,564	4,975,139
Capital grants and contributions	2,354,479	71,600
<b>General revenues:</b>		
Property taxes	5,183,017	5,886,939
Grants and contributions not restricted to specific purposes	63,590	31,578
Unrestricted investment earnings	132,948	190,962
Local Option sales and services tax	686,370	644,244
Other general revenues	127,106	86,118
<b>Total Revenues</b>	<b>\$15,275,002</b>	<b>\$13,053,411</b>

	2004	2003
<b>Program expenses:</b>		
Public safety and legal services	\$2,498,009	\$ 2,502,978
Physical health and social services	763,970	785,037
Mental health	2,242,416	2,396,421
County environment and education	659,250	597,415
Roads and transportation	4,767,015	4,057,586
Government services to residents	419,893	385,140
Administration	1,077,352	1,069,295
Non-program	686,370	644,244
Interest on long-term debt	5,855	7,775
Capital Projects	166,561	0
<b>Total expenses</b>	<b>\$13,286,691</b>	<b>\$12,445,891</b>
<b>Increase (decrease) in net assets</b>	<b>1,988,311</b>	<b>607,520</b>
<b>Net assets beginning of year</b>	<b>\$34,097,308</b>	<b>\$33,489,788</b>
<b>Net assets end of year</b>	<b>\$36,085,619</b>	<b>\$34,097,308</b>





## **THE COUNTY'S INDIVIDUAL MAJOR FUNDS**

As the County completed the year, its governmental funds reported combined fund balances of \$12,096,465. Revenue received in the County funds was \$212,026 more than was expended for the year. The following are the major reasons for the changes in fund balances for the year:

General Fund revenues and expenditures remained consistent when compared to the prior year. The ending fund balance showed a decrease from the prior year of \$653,912.

The County has continued to look for ways to effectively manage the cost of mental health services. Expenditures for the year totaled \$2,242,470, down \$160,002 from the year before. The Mental Health Fund balance at year end had decreased by \$164,670.

Rural Services Fund revenues did not meet expenditures due to the full transfer to the Secondary Roads Fund. The levy is at \$3.25 which is below the maximum allowed of \$3.95. The Rural Services Fund ending fund balance decreased by \$205,757.

Secondary Roads Fund expenditures increased \$874,913 over the previous year. Revenues were up substantially due to receipt of the 2<sup>nd</sup> of 3 payments from the state for maintenance of three state highways that the county has acquired. The state provided approximately \$1.2 million for the maintenance of these roads resulting in most of the \$1,145,553 increase in the Secondary Road fund balance at the end of the year.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except agency funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on a cash basis.

Over the course of the year, the County amended its operating budget one time. The amendment was made on May 26, 2004 and resulted in an increase to Physical Health and Social Services for public health grants that were received and disbursed; an increase to County Environment & Education for County conservation land acquisition and an increase to Non-program for local option sales taxes distributed to schools, as well as other smaller changes. The amendment increased total budgeted expenditures for the County by \$401,220. There were no functional budget areas exceeded for fiscal year 2004.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of FY04, the County had \$24,125,490 (net of depreciation) invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net increase (including additions and deletions) of \$1,646,747. Depreciation expense for the year ended June 30, 2004 was \$1,293,470 and total accumulated depreciation as of June 30, 2004 was \$16,574,993.

### **Capital Assets, Net of Accumulated Depreciation**

	2004	2003
Land	\$ 597,224	\$ 605,646
Buildings and Imp	4,370,948	4,502,716
Machinery & equip	1,772,138	1,748,253
Infrastructure	17,385,180	15,622,128
TOTALS	\$24,125,490	\$22,478,743

### **Debt**

At year-end, the County had \$349,602 in notes and other indentures compared to \$370,962 a year ago, as shown below.

Debt has decreased with annual payments made on the Intermediary Relending Program Loan from the USDA. Also, during the year ended June 30, 2004, \$68,000 of capital loan notes were retired by Southern Iowa Area Detention Center and \$33,000 of refunding capital loan notes were issued. As one of the ten participating counties Mahaska County's share is 10% . The County is responsible for paying principal and interest on its share of the debt when SIADSA's revenue is insufficient to cover such debt payments. As of the current fiscal year, the County has not yet been required to pay any share of the debt. The County did not incur any new debt obligations during the year.

Other obligations include accrued vacation pay and accrued compensatory time.

### **Outstanding Debt at Year End**

	2004	2003
Capital Loan Notes	\$ 33,000	\$ 68,000
Intermediary Relending Program Loan	180,337	186,957
Compensated Absences	136,265	116,005
TOTALS	\$349,602	\$370,962

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The County's elected and appointed officials and citizens considered many factors when setting the 2005 fiscal year budget, tax rates, and the fees that will be charged for the various County activities. Amounts available for appropriation in the operating budget are \$13,852,472, a decrease of approximately 6% over the final 2004 budget. The County has added no new major programs to the 2005 budget.

### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Mahaska County, 106 S. 1<sup>st</sup> St., Oskaloosa, IA 52577.

## Basic Financial Statements

MAHASKA COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2004

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 12,488,135
Receivables:	
Property tax:	
Delinquent	10,704
Succeeding year	5,399,000
Interest and penalty on property tax	45,925
Accounts	56,575
Accrued interest	25,868
Due from other governments	523,489
Loans receivable (note 4)	144,148
Inventories	226,200
Capital assets, net of accumulated depreciation (note 5)	<u>24,125,490</u>
Total assets	<u>43,045,534</u>
Liabilities	
Accounts payable	561,201
Salaries and benefits payable	110,000
Due to other governments (note 6)	260,123
Accrued interest payable	816
Incurred but unpaid health claims	185,803
Deferred revenue:	
Succeeding year property tax	5,399,000
Other	93,370
Long-term liabilities (note 7):	
Portion due or payable within one year:	
Capital loan notes	16,500
Intermediary Relending Program loan	6,686
Compensated absences	136,265
Portion due or payable after one year:	
Capital loan notes	16,500
Intermediary Relending Program loan	<u>173,651</u>
Total liabilities	<u>6,959,915</u>

MAHASKA COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2004

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets	\$ 24,125,490
Restricted for:	
Supplemental levy purposes	284,633
Rural services	1,614,540
Secondary roads	6,455,623
Other special revenue purposes	1,299,839
Unrestricted	<u>2,305,494</u>
Total net assets	\$ <u><u>36,085,619</u></u>

See notes to financial statements.

MAHASKA COUNTY  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Governmental Activities:					
Public safety and legal services	\$ 2,498,009	\$ 552,628	\$ 215,629	\$ -	\$ (1,729,752)
Physical health and social services	763,970	5,947	164,735	-	(593,288)
Mental health	2,242,416	21,605	1,190,546	-	(1,030,265)
County environment and education	659,250	29,232	140,410	-	(489,608)
Roads and transportation	4,767,015	217,742	3,767,707	2,354,479	1,572,913
Government services to residents	419,893	387,856	-	-	(32,037)
Administration	1,077,352	26,918	1,798	-	(1,048,636)
Non-program	686,370	-	-	-	(686,370)
Interest on long-term debt	5,855	-	4,739	-	(1,116)
Capital projects	166,561	-	-	-	(166,561)
Total	\$ 13,286,691	\$ 1,241,928	\$ 5,485,564	\$ 2,354,479	(4,204,720)

## General Revenues:

Property and other county tax levied for:	
General purposes	4,018,050
Mental health	828,954
Penalty and interest on property tax	110,842
State tax credits	225,171
Local option sales and services tax	686,370
Grants and contributions not restricted to a specific purpose	63,590
Unrestricted investment earnings	132,948
Miscellaneous	127,106
Total general revenues	<u>6,193,031</u>
Change in net assets	1,988,311
Net assets beginning of year	<u>34,097,308</u>
Net assets end of year	<u>\$ 36,085,619</u>

See notes to financial statements.

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MAHASKA COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2004

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 2,551,016	\$ 269,917	\$ 1,622,808	\$ 6,423,178
Receivables:				
Property tax:				
Delinquent	6,464	2,464	1,776	-
Succeeding year	3,024,000	1,152,000	1,223,000	-
Interest and penalty on property tax	45,925	-	-	-
Accounts	56,233	97	-	-
Accrued interest	25,751	-	-	-
Due from other governments	193,469	-	-	210,376
Loans receivable (note 4)	-	-	-	-
Inventories	-	-	-	226,200
Total assets	<u>\$ 5,902,858</u>	<u>\$ 1,424,478</u>	<u>\$ 2,847,584</u>	<u>\$ 6,859,754</u>



Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,328,307	\$ 12,195,226
-	10,704
-	5,399,000
-	45,925
245	56,575
117	25,868
119,644	523,489
144,148	144,148
-	226,200
<u>\$ 1,592,461</u>	<u>\$ 18,627,135</u>

MAHASKA COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2004

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 127,371	\$ 115,158	\$ 5,647	\$ 313,025
Salaries and benefits payable	63,839	4,324	3,167	38,670
Due to other governments (note 6)	-	148,590	-	-
Deferred revenue:				
Succeeding year property tax	3,024,000	1,152,000	1,223,000	-
Other	52,030	2,395	1,773	-
Total liabilities	<u>3,267,240</u>	<u>1,422,467</u>	<u>1,233,587</u>	<u>351,695</u>
Fund balance:				
Reserved for:				
Inventories	-	-	-	226,200
Revolving loan	-	-	-	-
Supplemental levy purposes	283,112	-	-	-
Cemetery levy	4,481	-	-	-
Designated for:				
Mapping	15,000	-	-	-
Technology	35,000	-	-	-
Maintenance for courthouse buildings and grounds	200,000	-	-	-
Unreserved, reported in:				
General fund	2,098,025	-	-	-
Special revenue funds	-	2,011	1,613,997	6,281,859
Total fund balances	<u>2,635,618</u>	<u>2,011</u>	<u>1,613,997</u>	<u>6,508,059</u>
Total liabilities and fund balances	<u>\$ 5,902,858</u>	<u>\$ 1,424,478</u>	<u>\$ 2,847,584</u>	<u>\$ 6,859,754</u>

See notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 561,201
-	110,000
111,533	260,123
-	5,399,000
144,148	200,346
<u>255,681</u>	<u>6,530,670</u>
-	226,200
399,311	399,311
-	283,112
-	4,481
-	15,000
-	35,000
-	200,000
-	2,098,025
937,469	8,835,336
<u>1,336,780</u>	<u>12,096,465</u>
\$ <u>1,592,461</u>	\$ <u>18,627,135</u>

## MAHASKA COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2004

Total fund balances of governmental funds	\$ 12,096,465
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$40,700,483 and the accumulated depreciation is \$16,574,933.	24,125,490
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	200,346
The Internal Service Fund is used by management to charge the costs of self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets.	13,736
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(816)
Long-term liabilities, including notes and loans payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(349,602)</u>
Net assets of governmental activities	<u><u>\$ 36,085,619</u></u>
See notes to financial statements	

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MAHASKA COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2004

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 2,595,443	\$ 826,559	\$ 1,414,550	\$ -
Interest and penalty on property tax	65,096	-	-	-
Intergovernmental	1,052,684	1,229,613	76,418	3,767,707
Licenses and permits	1,468	-	11,935	1,575
Charges for service	502,774	-	-	-
Use of money and property	203,169	-	-	-
Miscellaneous	47,145	21,628	2,255	190,852
Total revenues	4,467,779	2,077,800	1,505,158	3,960,134
Expenditures:				
Operating:				
Public safety and legal services	2,406,310	-	114,115	-
Physical health and social services	702,171	-	64,905	-
Mental health	-	2,242,470	-	-
County environment and education	477,164	-	152,112	-
Roads and transportation	-	-	10,194	4,145,372
Government services to residents	428,516	-	-	-
Administration	979,049	-	4,034	-
Non-program	-	-	-	-
Capital projects	-	-	-	206,555
Total expenditures	4,993,210	2,242,470	345,360	4,351,927
Excess (deficiency) of revenues over (under) expenditures	(525,431)	(164,670)	1,159,798	(391,793)
Other financing sources (uses):				
Sale of capital assets	-	-	-	43,310
Interfund transfers in	-	-	-	1,494,036
Interfund transfers out	(128,481)	-	(1,365,555)	-
Total other financing sources (uses)	(128,481)	-	(1,365,555)	1,537,346

Nonmajor Governmental			
Funds		Total	
\$	686,370	\$	5,522,922
	-		65,096
	61,473		6,187,895
	-		14,978
	57,106		559,880
	27,680		230,849
	-		261,880
	832,629		12,843,500
	700		2,521,125
	-		767,076
	-		2,242,470
	10,227		639,503
	-		4,155,566
	1,210		429,726
	-		983,083
	686,370		686,370
	-		206,555
	698,507		12,631,474
	134,122		212,026
	-		43,310
	-		1,494,036
	-		(1,494,036)
	-		43,310

MAHASKA COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2004

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Net change in fund balances	\$ (653,912)	\$ (164,670)	\$ (205,757)	\$ 1,145,553
Fund balances beginning of year	3,289,530	166,681	1,819,754	5,362,506
Fund balances end of year	<u>\$ 2,635,618</u>	<u>\$ 2,011</u>	<u>\$ 1,613,997</u>	<u>\$ 6,508,059</u>

See notes to financial statements.



Nonmajor Governmental Funds		Total	
\$	134,122	\$	255,336
<u>1,202,658</u>		<u>11,841,129</u>	
\$	<u>1,336,780</u>	\$	<u>12,096,465</u>

MAHASKA COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2004

Net change in fund balances - total governmental funds \$ 255,336

Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures while  
governmental activities report depreciation expense to allocate those  
expenditures over the life of the assets. The amount of capital outlays and  
depreciation expense in the current year are as follows:

Capital outlays	\$ 594,160	
Capital assets contributed by the Iowa Department of Transportation	2,354,479	
Depreciation expense	<u>(1,293,470)</u>	1,655,169

In the statement of activities, the loss on the disposition of capital assets  
is reported, whereas the governmental funds report the proceeds from the  
sale as an increase in financial resources. (8,422)

Because some revenues will not be collected for several months after the  
County's year end, they are not considered available revenues and are  
deferred in the governmental funds.

Property tax	56,198	
Contract payments	(17,995)	
Loan payments	<u>(36,007)</u>	2,196

Payments by other entities to retire capital loan note certificates are not  
recorded in governmental funds. However, the payments are recorded as  
miscellaneous revenues in governmental activities to offset the  
long-term liability retired. 35,000

Repayment of bond principal is an expenditure in the governmental funds,  
but the repayment reduces long-term liabilities in the statement of net  
assets. 6,620

Some expenses reported in the statement of activities do not require the use  
of current financial resources and, therefore, are not reported as  
expenditures in governmental funds, as follows:

Compensated absences	(20,260)	
Interest on long-term debt	<u>753</u>	(19,507)

MAHASKA COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

\$ 61,919

Change in net assets of governmental activities

\$ 1,988,311

See notes to financial statements.

MAHASKA COUNTY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
June 30, 2004

	Internal Service - Employee <u>Group Health</u>
Assets	
Cash and cash equivalents	\$ <u>292,909</u>
Liabilities	
Incurred but unpaid health claims	185,803
Deferred revenue	<u>93,370</u>
Total liabilities	<u>279,173</u>
Net Assets	
Unrestricted	\$ <u><u>13,736</u></u>

See notes to financial statements.

MAHASKA COUNTY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
Year Ended June 30, 2004

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Charges to County operating funds and others	\$ 1,253,395
Stop loss credits	63,023
Miscellaneous	17,639
Total operating revenues	<u>1,334,057</u>
Operating expenses:	
Medical claims	817,377
Dental claims	72,973
Vision claims	14,934
Stop loss insurance premiums	229,054
Insurance premiums	16,000
Service fees	23,700
Insurance filing fee	8,471
Miscellaneous	6,016
Total operating expenses	<u>1,188,525</u>
Operating income	145,532
Non-operating revenues:	
Interest on investments	<u>535</u>
Net income	146,067
Net assets beginning of year	<u>(132,331)</u>
Net assets end of year	<u>\$ 13,736</u>

See notes to financial statements.

MAHASKA COUNTY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year Ended June 30, 2004

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from charges to operating funds and others	\$ 1,262,616
Cash received from stop loss reimbursements	63,023
Cash received from miscellaneous operating activities	17,639
Cash payments to suppliers for services	<u>(1,162,721)</u>
Net cash provided by operating activities	<u>180,557</u>
Cash flows from investing activities:	
Interest on investments	<u>535</u>
Net increase in cash and cash equivalents	181,092
Cash and cash equivalents at beginning of year	<u>111,817</u>
Cash and cash equivalents at end of year	<u>\$ 292,909</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 145,532
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in incurred but unpaid health claims	25,803
Increase in deferred revenue	<u>9,222</u>
Net cash provided by operating activities	<u>\$ 180,557</u>

See notes to financial statements.

MAHASKA COUNTY  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2004

Assets	
Cash and pooled investments:	
County Treasurer	\$ 1,072,637
Other County officials	84,318
Receivables:	
Property tax:	
Delinquent	43,340
Succeeding year	17,544,000
Accounts	29,879
Due from other governments	<u>10,536</u>
Total assets	<u>18,784,710</u>
Liabilities	
Accounts payable	73,227
Salaries and benefits payable	18,331
Due to other governments (note 6)	18,635,811
Trusts payable	40,273
Compensated absences	<u>17,068</u>
Total liabilities	<u>18,784,710</u>
Net assets	\$ <u><u>-</u></u>

See notes to financial statements.

MAHASKA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies

Mahaska County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Mahaska County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County.

These financial statements present Mahaska County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Three drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Mahaska County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the drainage district can be obtained from the Mahaska County Auditor's office. The drainage districts had no assets or liabilities at June 30, 2004.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Mahaska County Assessor's Conference Board, Mahaska County Emergency Management Commission, and Mahaska County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.



MAHASKA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The statement of net assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the main operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

MAHASKA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Special Revenue (continued):

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is used to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

MAHASKA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The proprietary fund of the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

MAHASKA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2003.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide statement of net assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Land, buildings and improvements	5,000
Equipment and vehicles	5,000

MAHASKA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	25-50
Improvements other than buildings	10-50
Infrastructure	10-65
Equipment	3-20
Vehicles	5-15

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and health insurance charges that will not be recognized as revenue until the year for which the related premiums are due.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

MAHASKA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Long-term Liabilities – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in two departments exceeded the amounts appropriated prior to the amendment of the County appropriations and disbursements in two departments exceeded the amounts appropriated at year end.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County's funds are all deposited in financial institution depository accounts.

MAHASKA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2004

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 128,481
	Special Revenue: Rural Services	<u>1,365,555</u>
		<u>\$ 1,494,036</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 4. Loans Receivable

The County has \$543,459 available to use for revolving loans for economic development within the County, of which \$144,148 was loaned at June 30, 2004. The original amounts were previously provided through a Community Development Block Grant and a Community Economic Betterment Account Grant. Additional amounts were made available through an Intermediary Relending Program Loan (see Note 7). The County may make new loans from repayments of both principal and interest. As of June 30, 2004, there were three outstanding loans. All payments are current.

Oskaloosa Food Products – interest free loan payable in annual installments of \$12,667 on February 15<sup>th</sup>.

Oskaloosa Area Chamber and Development Group – 4% interest loan payable in monthly installments of \$344, including interest.

World Food Processing – 5% interest loan payable in monthly installments of \$1,497, including interest.

MAHASKA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2004

Note 4. Loans Receivable (continued)

The following is a schedule of payments showing amounts to be collected over the life of the loans:

Year Ending June 30,	Oskaloosa Food Products	Oskaloosa Area Chamber and Development Group	World Food Processing	Less: Amount Representing Interest	Total
2005	\$ 12,667	\$ 4,010	\$ 17,966	\$ (4,286)	\$ 30,357
2006	12,667	4,011	17,966	(3,396)	31,248
2007	12,666	4,011	10,480	(2,525)	24,632
2008	-	4,010	-	(2,285)	1,725
2009	-	4,010	-	(2,215)	1,795
2010-2014	-	20,051	-	(9,916)	10,135
2015-2019	-	20,051	-	(7,675)	12,376
2020-2024	-	20,051	-	(4,940)	15,111
2025-2029	-	18,381	-	(1,612)	16,769
Balance End of Year	\$ <u>38,000</u>	\$ <u>98,586</u>	\$ <u>46,412</u>	\$ <u>(38,850)</u>	\$ <u>144,148</u>



MAHASKA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2004

Note 5. Capital Assets

A summary of capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 605,646	\$ -	\$ 8,422	\$ 597,224
Capital assets being depreciated:				
Buildings	7,668,747	-	10,700	7,658,047
Machinery and equipment	5,446,200	460,669	184,673	5,722,196
Infrastructure	24,235,046	2,487,970	-	26,723,016
Total capital assets being depreciated	<u>37,349,993</u>	<u>2,948,639</u>	<u>195,373</u>	<u>40,103,259</u>
Less accumulated depreciation for:				
Buildings	3,166,031	131,768	10,700	3,287,099
Machinery and equipment	3,697,947	436,784	184,673	3,950,058
Infrastructure	8,612,918	724,918	-	9,337,836
Total accumulated depreciation	<u>15,476,896</u>	<u>1,293,470</u>	<u>195,373</u>	<u>16,574,993</u>
Total capital assets being depreciated, net	<u>21,873,097</u>	<u>1,655,169</u>	<u>-</u>	<u>23,528,266</u>
Governmental activities capital assets, net	<u>\$ 22,478,743</u>	<u>\$ 1,655,169</u>	<u>\$ 8,422</u>	<u>\$ 24,125,490</u>

MAHASKA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2004

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Public safety and legal services	\$ 42,538
Physical health and social services	2,755
County environment and education	35,774
Roads and transportation	1,102,293
Government services to residents	926
Administration	<u>109,184</u>

Total depreciation expense - governmental activities	<u><u>\$ 1,293,470</u></u>
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Note 6. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Services and Collections</u>	<u>Delinquent and Succeeding Year Property Taxes</u>	<u>Total</u>
Special Revenue:				
Mental Health	Services	\$ 148,590	\$ -	\$ 148,590
Local Option Sales and Services Tax Revenue	Collections	<u>111,533</u>	<u>-</u>	<u>111,533</u>
Total for governmental funds		<u><u>\$ 260,123</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 260,123</u></u>
Agency:				
County Hospital	Collections	\$ 25,653	\$ 1,617,451	\$ 1,643,104
County Assessor		204,649	117,251	321,900
Corporations		78,061	4,692,064	4,770,125
Schools		165,537	10,313,895	10,479,432
Area Schools		9,079	484,036	493,115
Auto License and Use Tax		395,328	-	395,328
All Other		<u>170,164</u>	<u>362,643</u>	<u>532,807</u>
Total for agency funds		<u><u>\$ 1,048,471</u></u>	<u><u>\$ 17,587,340</u></u>	<u><u>\$ 18,635,811</u></u>

MAHASKA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2004

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	Capital Loan Notes	Intermediary Relending Program Loan	Compensated Absences	Total
Balance beginning of year	\$ 68,000	\$ 186,957	\$ 116,005	\$ 370,962
Increases	33,000	-	136,265	169,265
Decreases	68,000	6,620	116,005	190,625
Balance end of year	<u>\$ 33,000</u>	<u>\$ 180,337</u>	<u>\$ 136,265</u>	<u>\$ 349,602</u>
Due within one year	<u>\$ 16,500</u>	<u>\$ 6,686</u>	<u>\$ 136,265</u>	<u>\$ 159,451</u>

Capital Loan Notes Payable

Mahaska County is one of ten participating member counties in the South Iowa Area Detention Service Agency (SIADSA) Capital Loan Note agreement. Each member county issued \$230,000 General Obligation Capital Loan Notes on May 1, 1991 to SIADSA, which secured \$2,300,000 of Capital Loan Notes issued by SIADSA. On May 1, 2004, \$330,000 of general obligation capital loan notes were issued to call the May 1, 1991 issue on June 1, 2004. SIADSA also contributed \$140,000 of reserve funds to reduce the principal amount. Each county's share in the remaining debt is 10%. The County is responsible for paying principal and interest on its share of the debt when SIADSA's revenue is insufficient to cover such debt payments. As of the current fiscal year, the County has not yet been required to pay any share of the debt.

A summary of the County's June 30, 2004 general obligation capital loan notes is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest
2005	2.00 %	\$ 16,500	\$ 715
2006	2.00	<u>16,500</u>	<u>330</u>
		<u>\$ 33,000</u>	<u>\$ 1,045</u>

During the year ended June 30, 2004, \$68,000 of capital loan notes were retired by SIADSA and \$33,000 of refunding capital loan notes were issued.

MAHASKA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2004

Note 7. Long-Term Liabilities (continued)

Intermediary Relending Program Loan

In January 1998, the County entered into an agreement with the U.S. Department of Agriculture whereby the County will receive up to \$200,000 through the Intermediary Relending Program. The money will be relented by the County to eligible local businesses for the purpose of economic development. The County must repay the loan to the Department of Agriculture, interest only, at a fixed rate of 1% per annum, for the first three years, with subsequent payment of principal and interest in 27 equal annual amortized installments beginning on the fourth anniversary of the date the County began the program.

Details of the intermediary relending program loan repayment are as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 6,686	\$ 1,803	\$ 8,489
2006	6,753	1,736	8,489
2007	6,820	1,669	8,489
2008	6,888	1,601	8,489
2009	6,957	1,532	8,489
2010-2014	35,844	6,601	42,445
2015-2019	37,672	4,773	42,445
2020-2024	39,594	2,851	42,445
2025-2028	<u>33,123</u>	<u>833</u>	<u>33,956</u>
Total	\$ <u>180,337</u>	\$ <u>23,399</u>	\$ <u>203,736</u>

Note 8. Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages are 4.99% and 7.48%, respectively. Contribution requirements are established by State statute. The County's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$228,505, \$217,451, and \$205,386, respectively, equal to the required contributions for each year.

MAHASKA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2004

Note 9. Risk Management

Mahaska County has entered into an agreement, as allowed by Chapter 331.301 of the Code of Iowa, to become a member in the Heartland Insurance Risk Pool (Pool), a local government risk pool, to protect the County against tort liability, injuries to employees and other risks associated with County operations. The risk pool was created for the purpose of providing and maintaining self-insurance benefits on a group basis substantially at cost.

The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and workers compensation. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2004 were \$221,075.

Initial risk of loss is retained by the risk pool. The risk pool is reinsured through commercial companies for claims in excess of \$250,000 per occurrence for general and automobile liability and \$350,000 per occurrence for workers compensation. The excess insurance carrier is responsible for 100% of any amounts over \$250,000 per occurrence for general and automobile liability. The excess insurance carrier is responsible for 100% of any amounts over \$350,000 per occurrence for workers compensation and 100% of property losses in excess of \$30,000 per occurrence, subject to an annual aggregate pool retention of \$75,000. The risk pool fund includes reserves established to account for the liability for claims reported but not yet paid. A liability is also factored in for claims incurred but not reported (referred to as IBNR claims). As of June 30, 2004, the risk pool maintained a surplus over the reserves and IBNR claims.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the County's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2004

Note 9. Risk Management (continued)

The County also carries commercial insurance purchased from other insurers for coverage associated with employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Employee Health Insurance Plan

The Mahaska County Employee Group Health Fund was established to account for the self funding of the County's health insurance benefit plan. The plan is administered through a service agreement with Employee Group Services, Ltd. The agreement, which was effective June 1, 1983, is subject to automatic renewal provisions.

The County purchased commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of \$25,000 in insured claims for any one covered individual. Settled claims have not exceeded the commercial coverage in the 2004 fiscal plan year.

Monthly payments of service fees and plan contributions to the Mahaska County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Midwest One Bank and Trust, trustee for the plan, from the Mahaska County Employee Group Health Fund. The trustee administers the funds of the plan in accordance with the provision of a trust agreement entered into by Mahaska County and Midwest One Bank and Trust. The County records the plan assets and related liabilities of the Mahaska County Employee Group Health Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2004 was \$1,253,395.

MAHASKA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2004

Note 10. Employee Health Insurance Plan (continued)

Amounts payable from the Mahaska County Employee Group Health Fund at June 30, 2004 total \$185,803 which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for catastrophic losses. That reserve was \$13,736 at June 30, 2004 and is reported as net assets of the Mahaska County Employee Group Health Fund. A liability has been established based on the requirements of Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at July 1, 2003	\$ <u>160,000</u>
Incurred claims (including claims incurred but not reported at June 30, 2004)	<u>931,087</u>
Payments:	
Current year events	742,326
Prior year events	<u>162,958</u>
Total payments	<u>905,284</u>
Unpaid claims at June 30, 2004	\$ <u><u>185,803</u></u>

Note 11. Mahaska County Care Facility

The Mahaska County Care Facility is managed and operated by Country Life Health Care, Inc. The County is leasing the Care Facility site to Country Life Health Care, Inc. for a period which ends June 30, 2004. The County provides financial support for the operation of the Care Facility. The lease is reviewed on an annual basis and has been renewed for the upcoming fiscal year.

Note 12. Real Estate Purchase Agreement

During the year ended June 30, 2004, the County entered into an agreement with the Iowa Natural Heritage Foundation (Foundation) to purchase 51 acres of land for no more than \$55,000. The Foundation will purchase the land and hold it for one year before selling it to the County to permit the County time to obtain funding.

Note 13. Contingent Liabilities

Hospital Notes

The County Hospital has issued General Obligation Refunding Notes in accordance with Chapter 331.402 of the Code of Iowa. The notes are payable primarily from revenue of the Hospital. The Hospital and the County entered into a Revenue Maintenance and Payment Agreement pursuant to which the Hospital agreed to maintain rates at levels high enough to produce sufficient revenues to pay the debt service on the notes. The County itself is only contingently liable for the payment of the notes pending default by the Hospital.

MAHASKA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2004

Note 13. Contingent Liabilities (continued)

Hospital Revenue Bonds

The County Hospital has also issued Hospital Revenue Bonds in accordance with Chapters 331.402, 384.24A, and 331.443 of the Code of Iowa. These bonds are payable primarily from revenue generated by the Hospital, which has agreed to maintain rates which will generate sufficient revenues to make all principal and interest payments. The County itself is only liable upon default on the issue by the County Hospital.

Litigation

The County is involved in one ongoing lawsuit. The outcome of this case cannot be determined at this time and the County's insurance carrier is affording coverage.



## Required Supplementary Information

# MAHASKA COUNTY

## Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds Required Supplementary Information Year Ended June 30, 2004

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
<b>RECEIPTS:</b>				
Property and other County tax	\$ 5,533,810	\$ 5,448,720	\$ 5,518,933	\$ 14,877
Interest and penalty on property tax	65,130	-	33,962	31,168
Intergovernmental	6,106,185	5,950,792	6,267,047	(160,862)
Licenses and permits	15,478	17,250	17,250	(1,772)
Charges for service	548,219	392,245	505,609	42,610
Use of money and property	235,964	389,700	410,295	(174,331)
Miscellaneous	265,455	200,600	223,275	42,180
Total receipts	<u>12,770,241</u>	<u>12,399,307</u>	<u>12,976,371</u>	<u>(206,130)</u>
<b>DISBURSEMENTS:</b>				
Public safety and legal services	2,519,102	2,680,397	2,697,537	178,435
Physical health and social services	769,961	734,948	871,320	101,359
Mental health	2,216,764	2,453,674	2,453,674	236,910
County environment and education	660,711	554,544	709,512	48,801
Roads and transportation	3,994,131	4,004,500	4,004,750	10,619
Government services to residents	433,318	489,927	496,627	63,309
Administration	936,086	1,175,443	1,193,915	257,829
Non-program	689,739	630,000	697,318	7,579
Capital projects	206,555	1,670,000	1,670,000	1,463,445
Total disbursements	<u>12,426,367</u>	<u>14,393,433</u>	<u>14,794,653</u>	<u>2,368,286</u>
Excess (deficiency) of receipts over (under) disbursements	343,874	(1,994,126)	(1,818,282)	2,162,156
Other financing sources, net	<u>43,310</u>	-	-	<u>43,310</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	387,184	(1,994,126)	(1,818,282)	2,205,466
Balance beginning of year	<u>11,808,042</u>	<u>10,303,227</u>	<u>10,303,227</u>	<u>1,504,815</u>
Balance end of year	<u>\$ 12,195,226</u>	<u>\$ 8,309,101</u>	<u>\$ 8,484,945</u>	<u>\$ 3,710,281</u>

See accompanying independent auditor's report.

# MAHASKA COUNTY

## Budgetary Comparison Schedule – Budget to GAAP Reconciliation Required Supplementary Information Year Ended June 30, 2004

	Governmental Funds		
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 12,770,241	\$ 73,259	\$ 12,843,500
Expenditures	12,426,367	205,107	12,631,474
Net	343,874	(131,848)	212,026
Other financing sources	43,310	-	43,310
Beginning fund balances	11,808,042	33,087	11,841,129
Ending fund balances	<u>\$ 12,195,226</u>	<u>\$ (98,761)</u>	<u>\$ 12,096,465</u>

See accompanying independent auditor's report.

## MAHASKA COUNTY

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2004

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund and capital projects funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment increased budgeted disbursements by \$401,220. This budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2004, disbursements in certain departments exceeded the amounts appropriated.

## Other Supplementary Information

MAHASKA COUNTY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2004

	Special Revenue			
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Revolving Loan
Assets				
Cash and pooled investments	\$ 8,032	\$ 22,689	\$ 23,737	\$ 399,311
Receivables:				
Accounts	-	-	-	-
Accrued interest	-	117	-	-
Due from other governments	1,494	14,196	-	-
Loans receivable	-	-	-	144,148
Total assets	<u>\$ 9,526</u>	<u>\$ 37,002</u>	<u>\$ 23,737</u>	<u>\$ 543,459</u>
Liabilities and Fund Equity				
Liabilities:				
Due to other governments	\$ -	\$ -	\$ -	-
Deferred revenue	-	-	-	144,148
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>144,148</u>
Fund equity:				
Fund balances:				
Reserved for:				
Revolving loan	-	-	-	399,311
Unreserved	9,526	37,002	23,737	-
Total fund equity	<u>9,526</u>	<u>37,002</u>	<u>23,737</u>	<u>399,311</u>
Total liabilities and fund equity	<u>\$ 9,526</u>	<u>\$ 37,002</u>	<u>\$ 23,737</u>	<u>\$ 543,459</u>

See accompanying independent auditor's report.

<u>Local Option Sales and Services Tax Revenue</u>	<u>Law Enforcement Center Improvement</u>	<u>Conservation Land Acquisition</u>	<u>Total</u>
\$ 7,579	\$ 698,067	\$ 168,892	\$ 1,328,307
-	-	245	245
-	-	-	117
103,954	-	-	119,644
-	-	-	144,148
<u>\$ 111,533</u>	<u>\$ 698,067</u>	<u>\$ 169,137</u>	<u>\$ 1,592,461</u>
\$ 111,533	\$ -	\$ -	\$ 111,533
-	-	-	144,148
<u>111,533</u>	<u>-</u>	<u>-</u>	<u>255,681</u>
-	-	-	399,311
-	698,067	169,137	937,469
<u>-</u>	<u>698,067</u>	<u>169,137</u>	<u>1,336,780</u>
<u>\$ 111,533</u>	<u>\$ 698,067</u>	<u>\$ 169,137</u>	<u>\$ 1,592,461</u>

MAHASKA COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2004

	Special Revenue			
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Revolving Loan
Revenues:				
Property and other County tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	13,879	36,919
Charges for service	5,889	36,885	-	-
Use of money and property	119	117	236	12,706
Total revenues	<u>6,008</u>	<u>37,002</u>	<u>14,115</u>	<u>49,625</u>
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
County environment and education	-	-	737	9,490
Government services to residents	1,210	-	-	-
Non-program	-	-	-	-
Total expenditures	<u>1,210</u>	<u>-</u>	<u>737</u>	<u>9,490</u>
Excess (deficiency) of revenues over (under) expenditures	4,798	37,002	13,378	40,135
Fund balances beginning of year	<u>4,728</u>	<u>-</u>	<u>10,359</u>	<u>359,176</u>
Fund balances end of year	<u>\$ 9,526</u>	<u>\$ 37,002</u>	<u>\$ 23,737</u>	<u>\$ 399,311</u>

See accompanying independent auditor's report.



<u>Local Option Sales and Services Tax Revenue</u>	<u>Law Enforcement Center Improvement</u>	<u>Conservation Land Acquisition</u>	<u>Total</u>
\$ 686,370	\$ -	\$ -	\$ 686,370
-	-	10,675	61,473
-	-	14,332	57,106
-	-	14,502	27,680
<u>686,370</u>	<u>-</u>	<u>39,509</u>	<u>832,629</u>
-	700	-	700
-	-	-	10,227
-	-	-	1,210
<u>686,370</u>	<u>-</u>	<u>-</u>	<u>686,370</u>
<u>686,370</u>	<u>700</u>	<u>-</u>	<u>698,507</u>
-	(700)	39,509	134,122
<u>-</u>	<u>698,767</u>	<u>129,628</u>	<u>1,202,658</u>
\$ <u><u>-</u></u>	\$ <u><u>698,067</u></u>	\$ <u><u>169,137</u></u>	\$ <u><u>1,336,780</u></u>

MAHASKA COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS

June 30, 2004

	County Offices			City
	County Auditor	County Recorder	County Sheriff	Special Assessments
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ -	698
Other County officials	7,500	44,405	32,413	-
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	211	-	-
Due from other governments	-	-	-	-
Total assets	\$ <u>7,500</u>	\$ <u>44,616</u>	\$ <u>32,413</u>	\$ <u>698</u>
LIABILITIES				
Accounts payable	\$ -	\$ 38,732	\$ -	-
Salaries and benefits payable	-	-	-	-
Due to other governments	-	5,879	-	698
Trusts payable	7,500	5	32,413	-
Compensated absences	-	-	-	-
Total liabilities	\$ <u>7,500</u>	\$ <u>44,616</u>	\$ <u>32,413</u>	\$ <u>698</u>

<u>Emergency Management Services</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Agricultural Extension Education</u>	<u>County Hospital</u>	<u>Stephens Memorial Animal Shelter</u>	<u>County Assessor</u>	<u>Townships</u>
\$ 22,000	\$ 47	\$ 2,338	\$ 25,653	\$ 59,258	\$ 218,378	\$ 3,365
-	-	-	-	-	-	-
-	6	306	3,451	-	251	331
-	3,000	143,000	1,614,000	-	117,000	216,000
-	-	-	-	5,042	-	-
10,536	-	-	-	-	-	-
<u>\$ 32,536</u>	<u>\$ 3,053</u>	<u>\$ 145,644</u>	<u>\$ 1,643,104</u>	<u>\$ 64,300</u>	<u>\$ 335,629</u>	<u>\$ 219,696</u>
\$ 7,518	\$ -	\$ -	\$ -	\$ 1,110	\$ 9,276	\$ -
4,077	-	-	-	3,134	2,673	-
20,941	3,053	145,644	1,643,104	58,423	321,900	219,696
-	-	-	-	-	-	-
-	-	-	-	1,633	1,780	-
<u>\$ 32,536</u>	<u>\$ 3,053</u>	<u>\$ 145,644</u>	<u>\$ 1,643,104</u>	<u>\$ 64,300</u>	<u>\$ 335,629</u>	<u>\$ 219,696</u>

MAHASKA COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS

June 30, 2004

	<u>Corporations</u>	<u>Schools</u>	<u>Area Schools</u>	<u>Auto License and Use Tax</u>
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 78,061	\$ 165,537	\$ 9,079	\$ 411,289
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	15,064	22,895	1,036	-
Succeeding year	4,677,000	10,291,000	483,000	-
Accounts	-	-	-	-
Due from other governments	-	-	-	-
	<hr/>			
Total assets	\$ <u>4,770,125</u>	\$ <u>10,479,432</u>	\$ <u>493,115</u>	\$ <u>411,289</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 15,961
Salaries and benefits payable	-	-	-	-
Due to other governments	4,770,125	10,479,432	493,115	395,328
Trusts payable	-	-	-	-
Compensated absences	-	-	-	-
	<hr/>			
Total liabilities	\$ <u>4,770,125</u>	\$ <u>10,479,432</u>	\$ <u>493,115</u>	\$ <u>411,289</u>

See accompanying independent auditor's report.

<u>Bankruptcy Trust</u>	<u>Unclaimed Property</u>	<u>E-911</u>	<u>Anatomical Gift, Public Awareness and Transportation</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ 84	\$ 271	\$ 76,565	\$ 14	\$ -	\$ 1,072,637
-	-		-	-	84,318
-	-	-	-	-	43,340
-	-	-	-	-	17,544,000
-	-	21,966	-	2,660	29,879
-	-	-	-	-	10,536
<u>\$ 84</u>	<u>\$ 271</u>	<u>\$ 98,531</u>	<u>\$ 14</u>	<u>\$ 2,660</u>	<u>\$ 18,784,710</u>
\$ -	\$ -	\$ 630	\$ -	\$ -	\$ 73,227
-	-	8,447	-	-	18,331
-	-	75,799	14	2,660	18,635,811
84	271	-	-	-	40,273
-	-	13,655	-	-	17,068
<u>\$ 84</u>	<u>\$ 271</u>	<u>\$ 98,531</u>	<u>\$ 14</u>	<u>\$ 2,660</u>	<u>\$ 18,784,710</u>

MAHASKA COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS

Year Ended June 30, 2004

	County Offices			City
	County Auditor	County Recorder	County Sheriff	Special Assessments
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 7,500	\$ 53,483	\$ 24,087	\$ 5,352
Additions:				
Property and other County tax	-	-	-	-
E-911 surcharge	-	-	-	-
E-911 local contributions	-	-	-	-
State tax credits	-	-	-	-
State and federal grants	-	-	-	-
Office fees and collections	2,132	295,531	220,980	-
Drivers license fees	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Interest	-	-	-	-
Assessments	-	-	-	26,060
Trusts	-	215	356,500	-
Miscellaneous	-	-	-	-
Total additions	2,132	295,746	577,480	26,060
Deductions:				
Agency remittances:				
To other funds	2,132	181,157	220,472	-
To other governments	-	123,246	508	30,714
Trusts paid out	-	210	348,174	-
Total deductions	2,132	304,613	569,154	30,714
Balances end of year	\$ 7,500	\$ 44,616	\$ 32,413	\$ 698

<u>Emergency Management Services</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Agricultural Extension Education</u>	<u>County Hospital</u>	<u>Stephens Memorial Animal Shelter</u>	<u>County Assessor</u>	<u>Townships</u>
\$ <u>9,579</u>	\$ <u>2,920</u>	\$ <u>145,941</u>	\$ <u>1,601,551</u>	\$ <u>39,356</u>	\$ <u>421,122</u>	\$ <u>240,334</u>
-	3,037	145,011	1,636,158	-	119,323	222,088
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	138	6,877	75,450	-	8,354	10,985
27,630	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
72,222	-	-	-	160,143	1,054	-
<u>99,852</u>	<u>3,175</u>	<u>151,888</u>	<u>1,711,608</u>	<u>160,143</u>	<u>128,731</u>	<u>233,073</u>
-	-	-	-	-	-	-
76,895	3,042	152,185	1,670,055	135,199	214,224	253,711
-	-	-	-	-	-	-
<u>76,895</u>	<u>3,042</u>	<u>152,185</u>	<u>1,670,055</u>	<u>135,199</u>	<u>214,224</u>	<u>253,711</u>
\$ <u>32,536</u>	\$ <u>3,053</u>	\$ <u>145,644</u>	\$ <u>1,643,104</u>	\$ <u>64,300</u>	\$ <u>335,629</u>	\$ <u>219,696</u>

MAHASKA COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
Year Ended June 30, 2004

	<u>Corporations</u>	<u>Schools</u>	<u>Area Schools</u>	<u>Auto License and Use Tax</u>	<u>Bankruptcy Trust</u>
ASSETS AND LIABILITIES					
Balances beginning of year	\$ 4,824,634	\$ 10,287,133	\$ 561,285	\$ 412,429	\$ 84
Additions:					
Property and other County tax	4,464,380	10,419,071	490,751	-	-
E-911 surcharge	-	-	-	-	-
E-911 local contributions	-	-	-	-	-
State tax credits	226,658	485,532	26,463	-	-
State and federal grants	-	-	-	-	-
Office fees and collections	-	-	-	-	-
Drivers license fees	-	-	-	154,807	-
Auto licenses, use tax and postage	-	-	-	4,684,558	-
Interest	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total additions	<u>4,691,038</u>	<u>10,904,603</u>	<u>517,214</u>	<u>4,839,365</u>	<u>-</u>
Deductions:					
Agency remittances:					
To other funds	-	-	-	228,617	-
To other governments	4,745,547	10,712,304	585,384	4,611,888	-
Trusts paid out	-	-	-	-	-
Total deductions	<u>4,745,547</u>	<u>10,712,304</u>	<u>585,384</u>	<u>4,840,505</u>	<u>-</u>
Balances end of year	\$ <u>4,770,125</u>	\$ <u>10,479,432</u>	\$ <u>493,115</u>	\$ <u>411,289</u>	\$ <u>84</u>

See accompanying independent auditor's report.



<u>Unclaimed Property</u>	<u>Partial/ Advance Payment Trust</u>	<u>Tax Sale Redemption Trust</u>	<u>E-911</u>	<u>Anatomical Gift, Public Awareness and Transportation</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ <u>245</u>	\$ <u>283</u>	\$ <u>-</u>	\$ <u>119,947</u>	\$ <u>6</u>	\$ <u>-</u>	\$ <u>18,757,271</u>
-	-	-	-	-	-	17,499,819
-	-	-	91,941	-	-	91,941
-	-	-	318,134	-	-	318,134
-	-	-	-	-	-	840,457
-	-	-	-	-	-	27,630
-	-	-	-	-	29,445	548,088
-	-	-	-	-	-	154,807
-	-	-	-	153	-	4,684,711
-	-	-	1,726	-	5	1,731
-	-	-	-	-	-	26,060
26	1,679	241,793	-	-	-	600,213
-	-	-	8,527	-	-	241,946
<u>26</u>	<u>1,679</u>	<u>241,793</u>	<u>420,328</u>	<u>153</u>	<u>29,450</u>	<u>25,035,537</u>
-	-	-	-	7	-	632,385
-	-	-	441,744	138	26,790	23,783,574
-	1,962	241,793	-	-	-	592,139
<u>-</u>	<u>1,962</u>	<u>241,793</u>	<u>441,744</u>	<u>145</u>	<u>26,790</u>	<u>25,008,098</u>
\$ <u><u>271</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>98,531</u></u>	\$ <u><u>14</u></u>	\$ <u><u>2,660</u></u>	\$ <u><u>18,784,710</u></u>

## MAHASKA COUNTY

## SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST FOUR YEARS

	Years Ended June 30,			
	2004	2003	2002	2001
<b>Revenues</b>				
Property and other County tax	\$ 5,522,922	\$ 5,375,491	\$ 5,723,524	\$ 5,442,433
Interest and penalty on property tax	65,096	64,625	62,028	51,517
Intergovernmental	6,187,895	6,601,929	4,805,153	5,284,666
Licenses and permits	14,978	13,623	20,805	19,429
Charges for service	559,880	468,084	420,664	363,770
Use of money and property	230,849	281,982	422,341	720,670
Fines, forfeitures and defaults	-	-	8,535	7,593
Miscellaneous	261,880	280,391	257,325	357,175
Total revenues	<u>\$ 12,843,500</u>	<u>\$ 13,086,125</u>	<u>\$ 11,720,375</u>	<u>\$ 12,247,253</u>
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	2,521,125	2,464,979	2,398,914	2,231,736
Physical health and social services	767,076	777,045	798,933	845,485
Mental health	2,242,470	2,393,564	2,402,420	2,198,489
County environment and education	639,503	618,372	522,705	455,834
Roads and transportation	4,155,566	3,332,295	3,256,841	4,019,141
Government services to residents	429,726	389,871	368,589	324,024
Administration	983,083	946,639	900,530	876,552
Non-program	686,370	644,244	312,054	-
Debt service	-	8,490	1,350,476	480,830
Capital projects	206,555	150,314	314,967	291,211
Total expenditures	<u>\$ 12,631,474</u>	<u>\$ 11,725,813</u>	<u>\$ 12,626,429</u>	<u>\$ 11,723,302</u>

See accompanying independent auditor's report.

MAHASKA COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2004

Grantor/Program	CFDA Number	Grant Number	Expenditures
Direct:			
U.S. Department of Justice:			
Local Law Enforcement Block Grants Program	16.592	03LE-0151	\$ <u>9,171</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for			
Food Stamp Program	10.561		<u>12,904</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS C062 (27)	<u>74,798</u>
Recreational Trails Program	20.219	031-9G-62	<u>97,757</u>
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Child Support Enforcement	93.563		<u>291,696</u>
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		<u>16,811</u>
Refugee and Entrant Assistance - State Administered			
Programs	93.566		<u>54</u>
Child Care Mandatory and Matching Funds of the			
Child Care and Development Fund	93.596		<u>3,064</u>
Foster Care - Title IV-E	93.658		<u>7,510</u>
Adoption Assistance	93.659		<u>2,036</u>
Medical Assistance Program	93.778		<u>16,757</u>
Social Services Block Grant	93.667		<u>11,053</u>
Social Services Block Grant	93.667		<u>106,332</u>
			<u>117,385</u>
Iowa Department of Health:			
Centers for Disease Control and Prevention - Investigations			
and Technical Assistance	93.283	5883BT64	<u>9,720</u>

MAHASKA COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2004

Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect (continued):			
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
State Domestic Preparedness Equipment Support Program	97.004		\$ 10,461
State and Local Domestic Preparedness Training Program	97.005		1,069
Emergency Management Performance Grants	97.042		10,206
Hazard Mitigation Grant	97.039	0928-GIS-62	452
State and Local All Hazards Emergency Operations Planning	97.051		1,922
			<u>\$ 683,773</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Mahaska County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Officials of Mahaska County:

We have audited the financial statements of Mahaska County, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated February 15, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Mahaska County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items IV-B-04, IV-J-04, and IV-K-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mahaska County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Mahaska County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-04 is a material weakness. Prior year reportable conditions have been resolved except for items II-A-04 and II-B-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Mahaska County and other parties to whom Mahaska County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Mahaska County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa  
February 15, 2005

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE

To the Officials of Mahaska County:

Compliance

We have audited the compliance of Mahaska County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Mahaska County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Mahaska County's management. Our responsibility is to express an opinion on Mahaska County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mahaska County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Mahaska County's compliance with those requirements.

In our opinion, Mahaska County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Mahaska County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Mahaska County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Mahaska County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Mahaska County and other parties to whom Mahaska County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa  
February 15, 2005



MAHASKA COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 20.205 Highway Planning and Construction
  - CFDA Number 93.563 Child Support Enforcement
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Mahaska County did not qualify as a low-risk auditee.

MAHASKA COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2004

Part II: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-04 Segregation of Duties

Comment – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Auditor, Recorder, Sheriff, Treasurer
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash.	Recorder, Sheriff, Treasurer
(3) Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment.	Auditor, Recorder, Sheriff

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.

MAHASKA COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

Part II: Findings Related to the General Purpose Financial Statements (continued):

REPORTABLE CONDITIONS (continued):

II-A-04 Segregation of Duties (continued)

Responses –

County Auditor – We will review procedures and try to make any necessary changes to improve internal control. However, the limited number of office employees does not allow for much further segregation of duties.

County Recorder – We will review procedures and try to make any necessary changes to improve internal control. However, the limited number of office employees does not allow for much further segregation of duties.

County Sheriff - We will review procedures and try to make any necessary changes to improve internal control. However, the limited number of office employees does not allow for much further segregation of duties.

County Treasurer – We will review procedures and try to make any necessary changes to improve internal control. However, the limited number of office employees does not allow for much further segregation of duties.

Conclusion – Responses accepted.

II-B-04 Disbursements – Out of fifty-one disbursements tested, one was not supported by an invoice or receipt.

Recommendation – All disbursements should be adequately supported by an invoice, receipt or other written documentation.

Response – This disbursement was a reimbursement from a credit card statement without an accompanying receipt. We will make sure that future disbursements are properly supported by an invoice or receipt.

Conclusion – Response accepted.

II-C-04 Unauthorized Signatures – A bank confirmation indicated the name of a former employee who would be able to sign checks as an authorized check signer on one of the Sheriff's office bank accounts.

Recommendation – The Sheriff's office should obtain and prepare proper authorization cards for all accounts at all banks in which they deposit funds.

Response – We will obtain and prepare proper authorization cards at all our financial institutions.

Conclusion – Response accepted.

MAHASKA COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2004

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No matters were reported.

MAHASKA COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-04 Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

IV-B-04 Certified Budget – Disbursements during the year ended June 30, 2004 did not exceed the amounts budgeted in any of the ten County functions. However, disbursements in two departments (conservation and public health nursing) exceeded the amounts appropriated prior to the amendment of the County appropriations and disbursements in two departments (pioneer cemeteries and North Square building) exceeded the amounts appropriated at year end. Also, disbursements exceeded the budgeted amount for Emergency Management Services prior to the amendment of the budget.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the service area budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – We will amend the budget when required and appropriations will be watched more closely by the departments.

Conclusion – Response accepted.

IV-C-04 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-D-04 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-E-04 Business Transactions – The following business transactions between the County and County officials or employees were noted:

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Roger Swanson, Spouse of County Auditor, Owner of Swanson TV Repair	Repairs	\$ 155

In accordance with Chapter 331.342 of the Code of Iowa, this transaction does not appear to represent a conflict of interest.

IV-F-04 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.

IV-G-04 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

MAHASKA COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

Part IV: Other Findings Related to Required Statutory Reporting (continued):

- IV-H-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.
- IV-I-04 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-J-04 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2004 for the County Extension Office did not exceed the amount budgeted.

The Board Treasurer’s bond covered the amount required by Chapter 176A.14(5) of the Code of Iowa.

The County Extension organization has grant agreements with Iowa East Central T.R.A.I.N. to provide child care resource and referral services. Revenues from these grants totaled \$84,960 for the year ended June 30, 2004. They included a Child Care and Development Provider Training Grant of \$9,800, a Child Care and Development Operating Grant in the amount of \$47,160, a Child Care and Development Child Net Grant of \$8,000 and a Parent Expansion Grant of \$20,000.

We noted that some receipts were not deposited timely, but were held undeposited for as long as twenty-eight days for both the regular operating account and the Childcare Resource and Referral account.

Recommendation – All receipts should be deposited as soon as possible to safeguard the asset and avoid any possible irregularities and to earn the interest revenue on the public funds. Deposits should be made weekly at a minimum.

Response – We are now depositing receipts weekly.

Conclusion – Response accepted.

- IV-K-04 Treasurer’s Semi-annual Report – The County Treasurer’s semi-annual report for the six months ended June 30, 2004 was published as required by Chapter 349.16(3) of the Code of Iowa. However, we noted some material differences.

Recommendation – The Treasurer’s semi-annual reports should be published accurately. The report should equal the Treasurer’s bank reconciliation and general ledger.

Response – We will publish the required reports accurately in the future. The differences are due to the timing of recording auto license and use tax funds received on the first day of the month which follows their actual month of collection and deposit.

Conclusion – Response accepted.

MAHASKA COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

Part IV: Other Findings Related to Required Statutory Reporting (continued):

- IV-L-04 Self-Insured Health Fund – Chapter 509A of the Code of Iowa requires a Certificate of Compliance to be filed with the Insurance Division of the Iowa Department of Commerce within 90 days after a self-insurance plan’s fiscal year end. The County’s Certificate of Compliance was filed fifty-five days late.

Recommendation – The County should insure that all compliance requirements are met for the self-funded health insurance plan.

Response – The report was filed late because the plan administrator did not provide the required information to the actuary in a timely manner. We will make sure the report is filed timely in the future.

Conclusion – Response accepted.

- IV-M-04 Debt Service Payments – The County has entered into an Intermediary Relending Program loan during prior years. Payment on this loan is not being budgeted for or recorded as a debt service expenditure.

Recommendation – The payment of long term debt should be budgeted for and recorded as a debt service function expenditure in the fund from which it is paid.

Response – We will begin budgeting for and recording loan payments as debt service expenditures instead of economic development expenditures.

Conclusion – Response accepted.

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